

## **What is a social enterprise? Revising old concepts and interviewing social entrepreneurs**

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## **Abstract**

The concept of social enterprise has been developed by an emerging and collective effort of scholars over the world. However, a comprehensive meaning of 'SE', which embeds traditional knowledge of organizational management has potential to be explored further. Due to the relevance of 'SE' in the contemporary society, new conceptual and practical insights are desirable. This study proposes to shed light on building up a definition for 'SE' that is inspired by existing definitions of organization and 'SE' and rely on real-world evidence. Literature review and comprehensive interviews with social entrepreneurs were conducted. Data analysis defines 'SEs' as an autonomous organization managed in a participative way and created by and for the community, with a relatively identifiable boundary, that strives to generate social wealth, and for this, produces goods and/or services that guarantee its financial viability, consequently, its continuity. Its integration into its environment generates consequences guided by social, economic, and environmental goals.

**Keywords:** Social enterprise; Organizational theory; Definition.

## **1 Introduction**

Social enterprise 'SE' and social entrepreneurship is a field which has been gaining ground increasingly, in organizational and academic debates because it is viewed as a new and innovative phenomenon with the objective of minimizing and/or resolving present world challenges (Levander, 2010). Granados, et al. (2011: 203) in a bibliometric study conducted between 1991 and 2010, using the words 'Social Enterprise\*' and 'Social Entrepreneur\*' in three important international databases (ISI Web of Knowledge, Business Source Complete, and Science Direct), expose a growing number of papers on the subject since 2005 (425 per cent increase), with the 'majority of records (83 per cent) were published within the last five years, giving credence to the notion that 'SE' is an emerging field of interest'. Rey-Martí et al. (2016) conducted a similar analysis using the Web of Science (WOS) online database and focused on social entrepreneurship. According to the authors, from 2003 to 2015 the number of

publications has increased annually (605 per cent until 2014). A search using the title phrase 'social enterprise' in the Harzing's Publish or Perish program revealed that in the past five years (2011 – 2015) the number of publications about this theme is stabilized, at an average of 274 publications per year.

'This ongoing interest shows that social entrepreneurship is still relevant for society and that researchers can still address many gaps' (Rey-Martí et al., 2016: 1653). There are still controversial questions concerns governance issues as pointed by Petrela & Richez-Battesti (2014), indicating the emergence of this, as an area of further studies.

Social enterprises have emerged in a variety of contexts: a reduction in financial assistance from public and private entities to non-profit and charitable organizations, an attention to a strong and latent local need, and an entrepreneur's desire or personal need, among others. These diverse conjunctures influence the concept and management of 'SEs'; however, they are always hybrid models that unite economic activity and positive social impact.

The concept of 'social enterprise' first emerged in Italy, in 1990, where it was promoted through the journal *Impresa sociale* (Defourny & Nyssens, 2010a). Later, it advanced in other countries of the European Union and in the United States starting in 1993. In this context, the United States and Western Europe, especially England became centers of debate, as evinced in the study by Granados, et al (2011).

However, the consensus among scholars is that researchers and professionals still limit, confuse, and contest the concept of social enterprise (Ridley-Duff, 2008), and its boundaries with other fields of study seem nebulous (Diochon & Anderson, 2011). Ridley-Duff (2008: 382) reveals this gap in scholarship when the author affirms 'the concepts of social enterprise have been debated repeatedly, and continue to cause confusion.' Besides, Doherty, et al. (2014) point that there is a need to build on existing research distinguishing 'SE' as an organizational form, indicating that further studies are welcome in order to minimize gaps concerning the 'SE' management processes.

Considering this, the objective of the present study is to shed light on exploration for 'SE' definition development based upon a reflection of the traditional definition of organization. Studies proposing to define 'SE' had not yet adopted this particular prism. Because of this, a unique contribution to the development of a robust definition of social enterprise can be presented. More specifically, this project intends to: a) synthesize the main characteristics of 'SEs' as described in literature; b) verify the

adherence of Tolbert & Hall's (2009) proposed traditional definition of organization to the reality of social enterprises; c) elaborate a final definition of social enterprise from a generic definition of organization; d) refine the definition according to the results of an empirical study, in order to verify its adherence to the practice. The fact that many existing definitions of organization, among these the one Hall proposes, were conceived in a moment in which there was no social enterprise phenomenon—warrants this study.

This study has been structured in seven sections, in which the first presents a contextualization of the research, its objective, and its justification. The second provides the research's methodology. The third describes a review of 'SE' literature and the fourthly section reflects on traditional economic enterprises and the concept of social enterprises under a business lens. In the fifth, it presents an empirical study based on interviews and documentary analysis of three social enterprises; the objective of this is to confront the proposed definition (the theory) with the practice. The sixth it introduces the definition proposed by the study and provide a reflection about the traditional economic enterprise concept and social enterprise. Finally, in the last section, it provides final considerations and contributions to the field.

## **2. Methodology**

The methodological choices used in this research were supported by literature that says the flexible design of qualitative research is more suitable to understanding the entrepreneur's interaction with the environment (Dana & Dana, 2005). In this sense, descriptive and theoretical research, with exploratory nature, were largely epistemological orientation of 'SE' research according the study about 'SE' literature conducted by Hoogendoorn et al. (2010) and Granados et al. (2011). In these cases, the main data collection methods used was interviews.

Thus, to accomplish the proposed objectives a bibliographical study and field research were conducted. The study was divided into two parts. The first consists of a literature review of papers found in the following social sciences databases: ABI Inform; Econlit; Web of science; EBSCO and SCOPUS, in addition to books and other key texts from the field in question, which the analyzed articles cite consistently. The term '*social enterprise*' was used as our keyword. The main points of each work were noted on index cards and the fundamental attributes of social enterprise evidenced in the literature were compiled. After, the adherence of this characters to ten of the

characteristics Tolbert & Hall (2009) considers important for the definition of organization was verified. The Hall's traditional definition of organization was chosen because it harmonizes several definitions, and was cited by 462 studies (GOOGLE SCHOLAR, accessed in 10/21/2015).

After confronting the results of these two research moments, a revised definition of social enterprise was proposed and later refined by the results of an empirical study. As such, the definition of social enterprise was tested again, to ascertain its agreement with the 'SE' literature as well as with the definition of organization, in order to verify its adherence to the practice. The research stages have been synthesized in figure 1.

### **Figure 1**

The main challenge for the field research, was to chart the diversity of the social enterprise sector and explore cases from organizations that captured most of this range, but for practical reasons, not all types could be covered and a convenience sample was adopted, as was used in the research of Spear's et al. (2009).

Interviews were conducted with three social enterprises. To explore the diversity, we applied a filter with two criteria: stages of development (company's life/age) and size of social enterprises, adopting as criterion the number of employees. Thus, it would be possible to analyze both established structures as well as those in development. It is important to point out that, since the majority of Brazilian 'SEs' are in their initial stages, companies in other countries, that had already disseminated this organizational format and had structured enterprises, were chosen; that is, enterprises in business for at least ten years. This led to an investigation of Spanish social enterprises, where the concept of social enterprise has existed since the 1980s (Vidal & Claver, 2004).

After application of the criteria, the social enterprises were selected through a convenience sample because of time and cost restrictions. This interview method was chosen because it is the most appropriate method for the exploratory stage in which debates about social enterprise are found.

The first company interviewed, located in Brazil, was given the name Sementes de Paz. It was the smallest (nine employees) and newest (founded in 2008) company investigated. The second was the oldest, founded in 1992, it has 12 employees, called Alternative 3 and is located in Spain, as well as Fundación Cares, founded in 1998 and

the largest in number of workers (428). The interviews took place between April and July of 2012. An in-depth interview technique with a semi-structured script (see Appendix) was used. The conditions were set beforehand but unstructured questions were also permitted.

The interviews were conducted on site, with Sementes de paz and Alternativa 3's founding partners and Fundación Cares's director of organization and human resources. Each interview lasted approximately an hour and it was recorded and later transcribed. The sites of the three organizations were also observed and analyzed.

The data collected was analyzed by comparing the theoretical characteristics of social enterprises with the accounts of those interviewed. The empirical study corroborated the 'SE' characteristics found in the literature, and contribute to reflection of concept for social enterprise based upon a reflection of the traditional definition of organization.

### **3. Social Enterprises: Origins and Concepts**

The development of social enterprises is a 21st-century phenomenon even though its roots extend to the 1990s, and as mentioned, it is still in construction phase. In this sense, Teasdale (2010) affirms that the United States tends to adopt a broader definition—generally centered on the notion of enterprises—that generates the resources necessary to attend to their social objectives by operating in the market. In Europe, the concept of social enterprise began in the non-profit sector, and the concept derives from a collective tradition in which cooperatives are the dominant form of organization (Defourny & Nyssens, 2010). A third perspective for social enterprise is the emerging countries whose the context of the emergence, according Kerlin (2010) has associated with high rates of poverty and unemployment, where or the civil society or international aid focused on microcredit for small social ventures was used to address unemployment and social exclusion.

Despite regional features, there are similarities on the characteristics of social enterprises. Therefore, through this study, we sought to better understand these similarities to subsequently propose a reflection on definition of social enterprise. Furthermore, in 1997, the network of researchers for the *Emergence of Social Enterprise in Europe* (EMES) focused their efforts on elaborating a definition of social

enterprise. The criteria set to consider an organization a social enterprise includes four economic characteristics and five social ones (Defourny, 2001).

#### Economic Characteristics:

1. Continuous production of goods and services; this should be one of the organization main purposes;
2. High level of autonomy; the organization management is independent from public authorities and other organizations although it may receive government resources;
3. Significant risk level; where the company financial viability depends on the efforts of its members, and the group comprising the social enterprise, totally or partially, assumes the start-up risk;
4. Payment for work; although there may be volunteers, the activities the social enterprise develops require a minimum number of salaried workers.

#### Social Characteristics:

1. An explicit social objective resulting in benefits to the community since one of the main objectives of this type of organization is to serve the community or a specific group of people; a desire to promote a sense of social responsibility at the local level;
2. An initiative created by a group of people belonging to a specific community or sharing certain necessities that must be maintained somehow;
3. Voting power based on the human being and not on ownership; this means, 'one person equals one vote;'
4. Democratic management; where decision-making involves different *stakeholders*. In the majority of cases, one of the objectives of the social enterprise is to expand democracy at the local level through economic activity;
5. Limited profit distribution; in this sense, social enterprises are those not distributing profits, those stating in their bylaws that they cannot attempt to maximize profits, and those distributing profit, albeit, limitedly. It is important to emphasize that, in case of dissolution, the enterprise's assets will be transferred to another social enterprise, guaranteeing, by law, that the company's goal of generating well-being continues to be explored (Galera & Borzaga, 2009).

In this perspective, the social enterprise is based on a collective dynamic with different stakeholders (beneficiaries, employees, volunteers, public authorities, and

donors, among others) participating in the company's administrative counsel, creating a multiple liability (Defourny & Nyssens, 2010a). That is, they adopt a democratic management style (Kerlin, 2006), reducing the probability of individual opportunistic behavior (Galera & Borzaga, 2009). However, collectivism does not exclude social entrepreneurs and their importance to the organization. Instead, a group, whose members are collectively responsible for complying with the enterprise's mission support their roles (Defourny & Nyssens, 2010a).

Despite the broad coverage of criteria determined by EMES, several authors have simplified the definition of 'SE' characterizing it as any type of organization involved in activities with significant social value and offering tax or service-based commercial products as a way of supporting their social missions in competitive market environments (Defourny & Nyssens, 2010a; Galera & Borzaga, 2009; Herranz et. al 2011; Pitta & Kucher, 2009).

According to Dees (1998), social enterprises approximate a market orientation as a way of maintaining their social activities and becoming less dependent upon donations and subsidies, and more on fees and contracts. This tendency, according to the author, stems from the following issues: a) the progression of capitalism and the increasing trust in the power of competition and profit as promoters of efficiency and innovation; b) the promotion of social well-being without causing beneficiaries to become dependent; c) the search for more sustainable sources of financing (the development of activities that generate income seems to be more reliable than donations and subsidies); d) the change in focus of institutions destining resources for non-profits, because they now prefer organizations with commercial interests; e) the acts of competitive forces (traditional and social enterprises that offer social services and indirectly exert pressure so that non-profits choose to adopt a market view).

Once social enterprises move closer to market activities, often those not directly related to their mission (Galera & Borzaga, 2009), in conjunction with the stimulus private foundations provide for the development of social entrepreneurs (Kerlin, 2006), explains the emphasis given to the individual entrepreneur in debates about social enterprise in the U.S and emerging countries. The entrepreneur becomes an agent of change capable of implementing innovative solutions (Kerlin, 2006).

Within the academic field, this same understanding can be found. Moizer & Tracey (2010) argue that, to achieve social and commercial objectives, 'SEs' must differ



from other enterprises. While in operation, the social enterprise must generate value since it obtains a substantial part of its revenue through commercial activity and not philanthropy or government subsidy, as do non-profit organizations.

Therefore Social Enterprise Coalition argue that a 'SE' should be autonomous before the state, have most of its income generated by commercial activity and a clear, established, and documented social and/or environmental mission. Furthermore, there are more three criteria used to classify an enterprise as social: reinvest most of its profits in itself; be mostly driven by social interests; and be responsible and transparent.

Another view to 'SE' is presented in the seminal article by Prahalad & Hart (2002) on the relevance of the Base of the Pyramid (BoP). They reinforce the potential of this market and the need for the improvement of living conditions of the BoP. This is achieved through access to goods and services previously available only to the privileged class (Prahalad & Hart, 2002). For the authors it is necessary to incorporate ways of developing business models that can offer access to products and services for the BoP, while also helping to diminish the high social deficit of the world.

Similarly, Mason, et al. (2007), argue that the social enterprise uses corporate culture to deal with social problems, offering needed services to the community. The authors highlight the importance of flexibility in the search for solutions to social problems as well as the development of management abilities for keeping the 'SE' sustainable.

However, Wilson & Post (2013) argue that not have an adequate theory for social enterprises because the way in which 'SE' are designed is complex, explicitly connected to their founding mission, their design, their legal and capital structures, their strategies and operational principles. That is, elements of theories in both for-profit and non-profit field are valid, but there are some unique aspects to how these hybrid enterprises are both designed and operate.

In this sense Chell (2007) defending that the essence of social enterprise is the creation and constant search for opportunities, with the purpose of generating wealth to reinvest in the business guaranteeing its survival and social value. For this, entrepreneurs must push the boundaries of alienable resources (product development, expertise, business planning, and management capabilities) under their control because, according to the author, these are resources acquired in the long term, making them unable to serve as barriers when exploring new opportunities. On the other hand,

inalienable resources, such as tacit knowledge and experience in the specified sector are not acquired *a posteriori*, becoming an advantage to the company. That is, for Chell (2007), social undertaking is the ability to connect social values with the resources necessary to make them happen.

Chell, et al. (2010) added the innovation element to the definition of social enterprise. As such, the broad definition of social entrepreneurship refers to an innovative activity in any sector with a social objective. This includes activities and processes carried out to discover, define, and explore opportunities that increase social wealth by creating new enterprises or managing existing organizations in an innovative way.

To this end, the social enterprise can be the basis for establishing a network between the non-profit sector, government and traditional businesses, as an organization with social mission is more likely to spread of innovative information and transfer of benefits across sectors. Thus, something that is well known in one sector may be innovative to another, and social enterprises may transfer business ideas for non-profit organizations. They can also help to reduce the fear that non-profit organizations and companies have to collaborate with the public sector for fear of losing their independence. They can also encourage companies and government to pursue social goals by adopting a more flexible approach (Parka & Wildingb, 2014).

Despite the reflection on the concept of social enterprise presented, Dart et al. (2010) point to a difficulty in defining social enterprises, since it comprises a plurality of types and structures, and the need to cross, and even integrate boundaries between the first and third sector. Thus, the aforementioned authors define social enterprise as a business with a social purpose, but they warn that this concept does not distinguish this type of organization from other populations.

#### **4. The organization and Social Enterprise: A Definition**

Scholars have analyzed organizations for quite some time, providing it with established definitions and well-defined schools of thought. In this sense, after a review of past definitions and contemporary definitions of organization, in 1934 Hall defines the organization as:

An organization is a collectivity with a relatively identifiable boundary, a normative order (rules), ranks of authority (hierarchy), communications system, and membership coordinating systems (procedures); this collectivity exists, on a relatively continuous

basis in an environment, and engages in activities that are usually related to a set of goals; the activities have consequences for organizational members, the organization itself, and for society (Tolbert & Hall, 2009, p. 302004: 28, our emphasis).

The above definition presents eleven fundamental points that must be considered when defining and management of the economic enterprise. Of these, nine points can be applied to the concept of social enterprise. First, Hall defines an organization as a community. This definition is fundamental to the social enterprise, which is the product of activities performed by a group of people pertaining to a single community or that have common objectives and necessities (Defourny, 2001), and that come together formally for this same end. One of the main objectives of the social organization is to promote collective benefit. Additionally, the social enterprise, salaried workers, volunteers, users, supportive services organizations, and local authorities can work together on a single project (Defourny, 2001). That is, within this type of organization, the collective principle is intrinsic to its formation and to its business model.

The organizational boundary is another point to be considered within the concept of social enterprises. Because of its own business model and its need for flexibility in searching for solutions to community problems, the 'SEs' boundaries can be more difficult to identify, in comparison to the organization (Mason, et al., 2007).

Like all organization, 'SE' also develops their communications system, and membership coordinating systems, but in the literature review did not point out the specific ways or how they are designed and implemented. However, as the social enterprise rely on mixed funding sources (donations, volunteer labour and commercial activity), with multi-stakeholder, in some cases acting outside organizational boundaries, seeks to promote collective benefit, have democratic management and limited distribution of profits, both their communication systems as coordination are complex and based on empowerment.

In relation to continuity, it is fundamental for the characterization of a social enterprise, often becoming the main difference between it and a third sector organization. Social enterprises are directly and continuously involved in the production of goods and/or services (activities). This production represents one of their main purposes (Defourny, 2001) and guarantees their sustainability, since, although they often receive donations, their main source of income comes from the commercialization of goods and/or services. In this way, the social enterprise also is a component of the competitive market, has profit goals, and operates with a significant level of risk.

When considering the 'SE', its integration in an environment as well as the 'SEs' consequences to members of the organization and to society must be considered. 'SEs' were created to fill gaps in the service provider sector that have been neglected by the public and private sectors (Cornelius, et al., 2007) and to promote a sense of social responsibility at the local level (Defourny, 2001). Thus, social enterprises fill a void within the environment in which they are integrated in order to generate positive consequences for the society.

Consequences for the 'SE' and its members are very different from those of the organization because the 'SEs' function is not to generate profit for the shareholder, which allows it to reinvest a large part of its profit on itself and in the community (Muñoz, 2010). Therefore, when social entrepreneurs start a business, their main objective is to create and maintain social value (Dart, 2004) given the accumulation of capital.

Finally, scholars have not yet developed the subject of goals in debates on 'SEs' but it is fundamentally important. According to (2009Hall (2004) one of the reasons organizations exist is that they "make things happen and having goals aids in this process. Given the principles of social enterprise as well as those of the economic enterprise, this type of organization's activities suggests the production of goods and/or services that also encompass social and environmental activities. As such, the subject of goals is very complex because there are social, financial and environmental objectives that contradict one another, but still need to be met. Innovation thus gains an important role because commonplace products, processes, and organizational structures will hardly contribute to the 'SE's goal achievement. Thus, according Borzaga & Bodini (2012: 10) 'due to their structural characteristics, social enterprises are more likely to be vehicles of pure social innovation than other types of organizations, and provide a better institutional vehicle to implement, replicate and scale up social innovations (...).'

Two characteristics of organizations identified by Tolbert & Hall (2009) have no adherence to social enterprise: a normative order (rules) ranks of authority (hierarchy). According to the EMES definition of social enterprise (1997), social enterprises are created by a group of people on the basis of an autonomous project and they are governed by these people. Although the owners of the capital are important, decision-making rights are generally shared with the other stakeholders, which involves the various parties affected by the activity. Thus, the social enterprise, there is one ranks of

authority held by all members of the 'SE' and the normative order established by and for the collective.

From the definitions of social enterprise here described, and a reflection on Hall's proposed definition of organization, an 'SE' can be defined as 'an autonomous organization, managed participatively and created by and for the community, with a hard-to-define boundary, that strives to generate social wealth and for this, produces goods and/or services that guarantee its financial viability and, consequently, its continuity. It generates locally positive consequences guided by social, economic, and environmental goals.'

## **5. Empirical Study**

To verify the applicability of the definition of social enterprise created from the bibliographical research, three social enterprises were analyzed; they are referred to in this study as Sementes de paz, Alternativa 3, and Fundación Cares. The results of this verification are discussed below. First, a brief description of the analyzed enterprises was presented and then each case was reflected upon, in order to understand what motives led to the creation of the company, what values guided them, and how they were managed.

### ***5.1 Description of the Enterprises***

#### ***5.1.1. Sementes de paz***

Sementes de paz has existed in the city of São Paulo since 2008. All of its clients are local, given its range of operation. Its main activity is the delivery of organic products, negotiated through fair trade principles. It originated from the creation of a purchasing group that saw an opportunity for socio-environmental transformation through ethical consumption.

Five young adults discovered a business opportunity when they became aware of the difficulties in purchasing organically farmed products. This opportunity was coupled with the group's desire to operate sustainably, where the concern for profit is associated with an improvement in social and environmental well-being. Thus, the group created Sementes de paz, which operates as a mediator, connecting suppliers, usually small farmers, to consumers, through transparent commercial practices. Currently, the

company is going through a management professionalization process so it can become more efficient, and consists of four partners; only two remain from the original incorporation.

#### *5.1.2 Alternativa 3*

Alternativa 3, located in Terrassa, Spain, has been in operation for 24 years. Like Sementes de Paz, Alternativa 3 works with importing, distributing, and commercializing organic products, negotiated through fair trade principles and produced in countries traditionally disadvantaged by commercial practices.

The initiative emerged from a group of people, members of a non-governmental organization (NGO), concerned with the environment and development. According to the respondent, the founders had no business or fair trade experience; nevertheless, they shared a desire to work with organic products sold according to fair trade principles.

Currently, the company also participates in activities connected to the processing of some foods, such as, coffee roasting. At the same time, Alternativa 3 has developed, in partnership with the NGO, a program to make consumers more conscientious, which depends on volunteer work.

The company has twelve associates and hires people with mental or physical disabilities for short periods. This contributes to the workforce integration of people with low employability. Of the business's founding partners, three, the executive council, remain directly involved in its administration. The others have only maintained their financial investments, but carry out other activities not connected to the company.

#### *5.1.3. Fundación Cares*

The enterprise, located in Barcelona Spain, has been in operation for 18 years. Its main concern is social, especially with regard to reintegrating people with disabilities into the workforce. It was a Port of Barcelona initiative, in conjunction with two other supporters.

The company functions as an operational (production and logistic) services provider and has two business structures. The first is a non-profit organization generating jobs for people with mental disabilities, which currently composes 80% of its work force. The other, a limited liability company, serves to place people with a high risk of social exclusion (ex-chemical dependents and inmates and/or carriers of

infectious/contagious diseases). For this, it employs them for a period of approximately two years, for them to acquire a certain level of employability and find placement in other organizations. Both businesses share the same physical structure and their associates work together.

## **6. Definition and Practice of Social Enterprise**

The results in this section used the definition of social enterprise created from the concept of organization and the nine elements (collectivity, organizational boundaries, communication and coordination system, continuity, environment, activities, consequences, and goals) they share with social enterprises, as disclosed by the literature review.

Table 1 shows a composite of the data collected starting with the main points of the initially proposed definition of social enterprise, the interview questions these points motivated, and a summary of the responses provided by the three people interviewed.

The first characteristic the proposed definition addresses is social enterprise autonomy. The three 'SEs' participating in this study declared complete decision-making autonomy, influenced only by the macro-environment, which affects any organization. The empirical study confirms this characteristic. The same occurred with regard to participative management.

At Sementes de paz, all employees are partners in the company and, therefore, participate in all the decision making processes. At Alternativa 3, however, although this partnership does not exist, participative management is a priority. As such, there is a weekly departmental meeting, where everyone deliberates on tactical and operational decisions. Additionally, once or twice a year, there is a meeting between partners and an executive council (partners that participate in the company's management) where they make strategic decisions. At Fundación Cares, according to the interviewee, a horizontal organization allows for closer and quicker communication, accelerating the decision-making process, which is based on a participatory system. Nevertheless, it is important to point out that despite all three companies using a participative management system, it does not directly involve partners and consumers, that is, the collective is restricted to those directly involved in the organization in this case.

The third characteristic the definition addresses is the organizational boundary and the difficulty to identify it. Contrary to what was thought, the limits of the social

enterprise are very similar to those of the traditional enterprise and are relatively easy to identify. The three 'SEs' analyzed are well delimited and each one's roles are well-defined even though they might, sometimes, work in conjunction with other organizations. For example, this can be observed in IME enterprise's report:

*'[...] our main activity is to import and distribute fair trade organic products. There is also an NGO that operates in conjunction with the cooperative and is responsible for the activities focused on the promotion or awareness of fair trade.'*

The fourth point addressed is the social enterprise's purpose, that is, the production of goods and/or services that generate social wealth. This concern is evident at all three enterprises. It is present in their history, mission, and vision, and in the words of those interviewed as they described their company's operations, as in the words of our Sementes de paz interviewee:

*'...something else to be considered when defining what I believe is social business, I think is the final result of the work, the company's own mission, it has to have a positive social and environmental impact...'*

In this sense, Sementes de paz and Alternativa 3 accrue social value by disseminating the idea of ethical consumption and commercializing products manufactured through practices with little environmental impact, where there is no worker exploitation, everyone receives decent wages, there is a distribution of group benefits, etc. Fundación Cares, however, generates social wealth by placing people with low employability, especially those with mental disabilities, in the workforce and, for this, provides logistical and manufacturing services to third parties.

*'(...) for them it is important to be here, to have a job, to have independence, and so, they work with love, with dedication.'* (Fundación Cares interviewee)

In all three cases, there is continuous production of goods and services. In the first two cases, delivering the product is the company's cause, and in the last case, delivering a service makes their social mission possible.

Another characteristic common to the social enterprise is its integration into the local environment and the consequences of its operation. Social entrepreneurs share a systemic view. They have conceived and managed their companies under the prism of the impact they generate onto the other links of the chain as well as onto society as a whole. Sementes de paz strives to develop a new culture; one that makes use of ethical



consumption to improve quality of life, and at the same time, reduces agricultural activity impact on the environment by reducing agro-chemical use.

*‘...one thing we always say is what do you feed when you eat? This is what we try to show; consumption has a violent impact--awareness of your individual consumption allows you to foster social transformation and environmental transformation.’* (Founding partner, Sementes de paz)

Alternativa 3 shares these same concerns, and tries to improve the producers' quality of life and the construction of fairer work practices. At Fundación Cares, although it is not a direct concern for the founders, they try to promote social inclusion efficiently and sustainably and provide quality of life improvement for their associates.

The sixth characteristic defining a social enterprise is its tri-value responsibility; by this, it is meant that social, economic, and environmental goals guide the social enterprise. When analyzing the mission, vision, and values of the social enterprises studied, as well as, their management processes, tri-value responsibility was identified in Sementes de paz and Alternativa 3. At Fundación Cares, there is double-value responsibility, that is, the search for social and financial objectives. In the first years since its inception, the company had a few problems prioritizing social objectives and compromising financial ones. This configuration obligated the company to rethink its strategic planning, and since then, both objectives began to have the same weight.

Lastly, with regard to innovation, it was verified that all three enterprises analyzed invested in innovation to sustain their management model and achieve social and financial goals. Sementes de paz innovated its processes. It developed a system of shared logistics to increase efficiency and reduce distribution costs. Additionally, it innovated organizationally--all associates are also partners. This has allowed them to secure and retain good professionals, and make their human resources more motivated and committed. Alternativa 3, however, believes marketing innovation is fundamental to guaranteeing its competitiveness, and for this, it created a drafting department, responsible for developing new and better ways to present their product. Similar to Sementes de paz, Fundación Cares innovated organizationally in order to adapt safety norms to their work force.

The definition for organization by Tolbert & Hall (2009) encompasses 11 elements. Of these, two do not suit for ‘SE’ definition because in ‘SE’, the people have same decision-making power, and stakeholder influence on decision-making and

participative management are often important characteristics of social enterprises (Defourny, 2001). Thus, we have considered nine of them for analyzing 'SEs' in searching of a contribution for their definition: collectivity, organizational boundaries, communication and coordination system, continuity, environment, activities, consequences, and goals.

It is clearly observed the presence of these elements when confronting literature review and results from the studied 'SEs'. However, organizational boundary was the element which represented more differences, thus revealing an important issue for future researches. It was expected that 'SEs' boundaries would be more difficult to identify because of its need for flexibility in searching for solutions to community problems (Mason, et al., 2007), however analyzed 'SEs' have well defined boundaries.

Innovation is also an important found from the empirical study. Although innovation on 'SE' and social entrepreneurship is appearing in recent literature (Borzaga & Bodini, 2012, Chell, et al 2010, Prahalad & Hart, 2002), it is a neglected theme. We observed that it is an important issue for the studied 'SE', and also that it is considered in the same three dimensions of innovation for economic organizations: technology, marketing and organizational (OECD, 2005). Alternativa 3 is the only one that presents technological innovation, but all of them concern to organizational and marketing innovation.

## **8. Final Considerations**

Social enterprise research is recent and, in spite of growing, presents a few gaps that scholars need to address to aid in the development of this type of organization. In this sense, by reflecting on the concept of organization, this study sought to contribute to the expansion of social enterprise literature. The literature barely explores this management focus on the social enterprise, transforming it into one of the gaps.

With regard to the proposed concept, it comprised the main characteristics noted in existing definitions of social enterprise, such as the social, economic, and environmental tripod, and innovation, among others; this, in addition, to the managerial aspects, like continuity, boundary, mission, and goal. Field research legitimized our proposed definition, providing a unique contribution. Only one of the characteristics noted as essential for defining a social enterprise was not corroborated (organizational boundary with difficult delimitation).

As such, considering reflections through a management structure of traditional business, social enterprise can be understood as: *'An autonomous organization managed in a participative way and created by and for the community, with a relatively identifiable boundary, that strives to generate social wealth, and for this, produces goods and/or services that guarantee its financial viability and, consequently, its continuity. Its integration into its environment generates consequences guided by social, economic, and environmental goals.'*

Thus, this paper brings insights towards a better understanding of social enterprise management through an in-depth comparison with classic and traditionally accepted conceptualization of organization and a social enterprises management analysis through interviews with social entrepreneurs. The study has significant implications for managers, who are familiar with traditional organizations, already widely understood. First, managers of 'SE' should expect facing the same challenges and opportunities faced by managers of traditional organizations. It signifies that managers of 'SE' can learn from the general literature on management in order to deal with 'SE'. Additionally, managers can start developing their careers in 'SE' by exploring the experience, knowledge and skills they already have. Thus, the experience obtained at traditional organizations tends to be transferable – and valuable – when managing 'SE'.

It also allows reflections on public policy implications. Most of countries have no specific legislation for social enterprises, making it difficult and, sometimes, precluding the existence of these organizations. The comprehension of 'SE' through parallel with the (well known) traditional firms may help policy's makers to create understandable proposals to regulate these businesses. Thus, there is a believe that policy and legislation for promoting 'SE' can have embedded good practices and knowledge already applied to promote organizational growth in traditional sectors of economy.

In terms of implications for teaching 'SE', it should be pointed out that as 'SE' and organizational principles have alignments and synergies, traditional books and program modules/courses can insert content on 'SE' without facing significant obstacles.

Lastly, it is important to emphasize that studies addressing the concept of social enterprise somehow aid the development and strengthening of this type of organization.

In turn, they contribute to social well-being because they attend to needs neglected by the state and/or private initiative. With this, research in this field also constitutes social contribution.

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